Weekly Economic Review

Earnings down at start of 2016

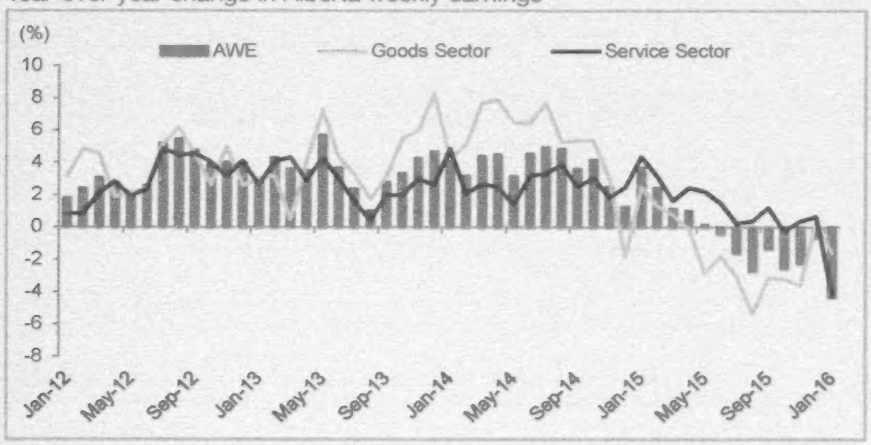
Average Weekly Earnings

Record drop in earnings over past twelve months

Alberta average weekly earnings (AWE) growth started the year on a weak note, falling 2.2% month-over-month (m/m) to $1,121 in January. The monthly setback pushed earnings down 4.3% compared with the previous year, the biggest year-over-year decline on record (Chart 1). Earnings for service sector employees were down 4.2% y/y with most industries experiencing declines including professional and technical services (-8.0% y/y) and real estate, rental and leasing (-7.6% y/y). Earnings in the goods sectors were down 1.6% y/y, mostly due to employment declines in high-paying industries like mining, quarrying, oil and gas extraction and support services.

Chart 1: Earnings growth falls to record low

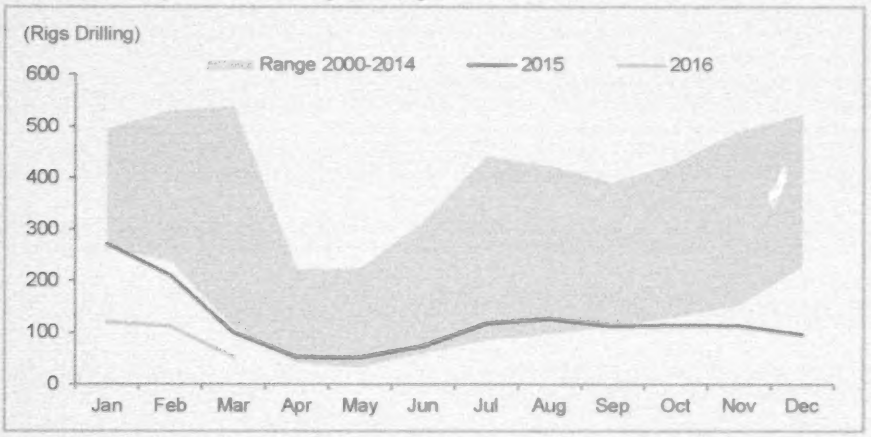
Year-over-year change in Alberta weekly earnings



Source: Statistics Canada

Chart 2: Rigs count continues trending at historical lows

Monthly average number of rigs drilling in Alberta



Source: Canadian Association of Oilwell Drilling Contractors (CAODC)

Job Vacancies

Fewer vacancies for job seekers

Alberta job vacancies, or the number of vacant positions, hit a low of 30,700 for the three months ending in December 2015. Compared with the previous year, vacancies were down 30% - the thirteenth straight month of waning job postings. Since the peak in October 2014, the number of vacancies has fallen by 21,500. The job vacancy rate - the proportion of open positions that are unfilled - fell to a low at 1.5% due to fewer vacancies. Falling vacancies combined with rising unemployment pushed the unemployment-to-job-vacancies ratio up to 5.1.

Rigs Drilling

Rigs count remains depressed

Despite the recent rally in oil prices, Alberta's oil and gas rigs count remained at record low levels. There were only 52 rigs active in Alberta in March, down 48% y/y (Chart 2) and the lowest level on record for March going back to 1990. Only 11% of available rigs were in use compared with an average March utilization rate of 55% over the past fifteen years. Drilling remained weak across the rest of Canada, with the number of active oil rigs outside of Alberta down 53%.

Metres Drilled

Conventional drilling bears the brunt of cuts

Metres drilled in Alberta remained weak at the outset of 2016, down 44% y/y in January. Conventional drilling for oil – which accounted for sixty percent of total oil meters drilled – remained the hardest hit, down 56% y/y. Natural gas metres were down 44% y/y, as warm winter weather in North America and strong US production weighed on prices. Metres drilled for bitumen were down by a lesser 9.6% y/y.

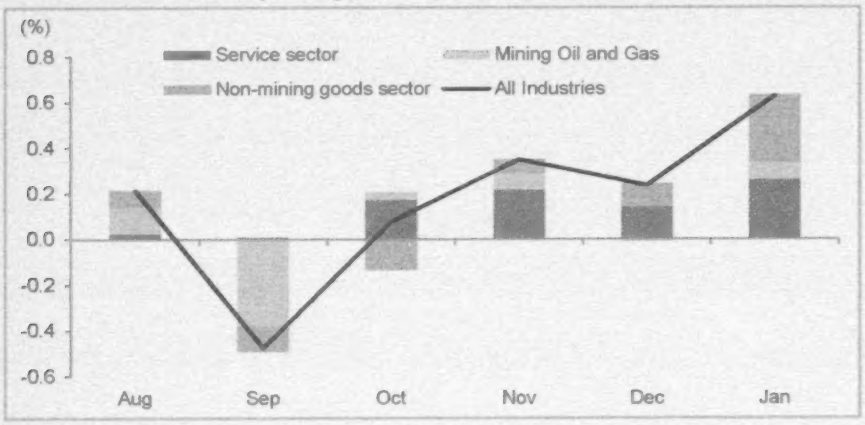
Canada GDP by Industry

Growth accelerates at start of 2016

Canada's economy found its stride at the outset of 2016, growing by 0.6% m/m in January after several months of tepid growth (Chart 3). Growth was supported by goods production, which rose an impressive 1.2%. Manufacturing led the way, rising by 1.9% m/m. Growth was broad based with petroleum refineries, furniture makers, and producers of fabricated metals, non-metallic minerals, food, transport equipment and textiles performing well. Oil and gas extraction made a valuable contribution to monthly growth (+1.4% m/m), led by non conventional oil production (+2.5%). Support activities for mining, oil and gas increased by 2.3% m/m, but remain down by 38% compared to November 2014 when activity began plummeting. Service industries growth was slower at 0.4% m/m.

Chart 3: Good sector pick up boosts GDP

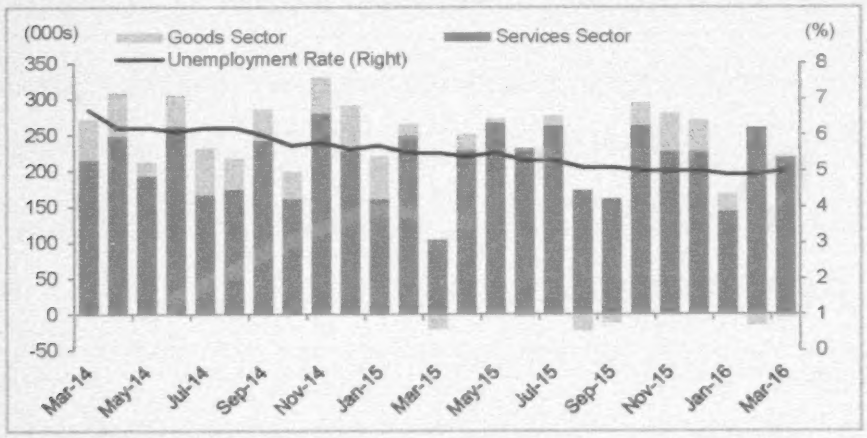
Contributions to monthly change in Canadian real GDP by industry



Source: Statistics Canada

Chart 4: Service sector shoulders the bulk of job creation

Changes in US non-farm employment and unemployment rate



Source: Statistics Canada

US Employment

Persistent US job creation

The American labour market had another strong month in March, adding 215,000 jobs (Chart 4). Private services industries accounted for nearly all new employment (+199,000), with education and health services and retail trade at the forefront of job creation. Goods producing industries cut another 4,000 jobs after shedding 15,000 jobs last month, with losses in mining and manufacturing outweighing gains in the construction sector (+37,000). The beleaguered mining industry extended its job loss streak to eighteen months, bringing total losses over that period up to an astonishing 184,500 jobs. With better employment prospects, more Americans are entering the labour market, which pushed the unemployment rate up by 0.1 percentage points to 5.0%.

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.